

SERFF Tracking Number: ARKS-125401872 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104639 \$50
Company Tracking Number: BP 2007-RTRP1
TOI: 05.0 Commercial Multi-Peril - Liability & Non- Sub-TOI: 05.0002 Businessowners
Liability
Product Name: TRIA
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: TRIA

SERFF Tr Num: ARKS-125401872 State: Arkansas

TOI: 05.0 Commercial Multi-Peril - Liability &
Non-Liability

SERFF Status: Closed

State Tr Num: #104639 \$50

Sub-TOI: 05.0002 Businessowners

Co Tr Num: BP 2007-RTRP1

State Status: Fees verified and
received

Filing Type: Rule

Co Status:

Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding

Author:

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12/31/2014

State Filing Description:

General Information

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Status of Filing in Domicile:

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Company and Contact

Filing Contact Information

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NA NA, NA@NA.com
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NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

SERFF Tracking Number:	ARKS-125401872	State:	Arkansas
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Product Name:	TRIA		
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Filing Fees

Fee Required?	No
Retaliatory?	No
Fee Explanation:	
Per Company:	No

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	12/31/2007	12/31/2007

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Product Name:	TRIA			
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Disposition

Disposition Date: 12/31/2007
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Rate data does NOT apply to filing.

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Supporting Document	ARKS-125401872		No

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Company Tracking Number:	BP 2007-RTRP1			
TOI:	05.0 Commercial Multi-Peril - Liability & Non-		Sub-TOI:	05.0002 Businessowners Liability
Product Name:	TRIA			
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Rate Information

Rate data does NOT apply to filing.

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Liability
Product Name: TRIA
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125401872

12/31/2007

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ARKS-125401872.pdf

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50.00



2828 EAST TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

~~Approved until withdrawn
or revoked~~

December 21, 2007

DEC 31 2007

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Arkansas Insurance Department

By:

*AK - acknowledge
Filed*

RECEIVED

DEC 26 2007

Attention: William R. Lacy, Director
Property and Casualty Division

RE: Insurance Services Office, Inc.
BP 2007-RTRP1
Businessowners
Rules Revised in Response to Terrorism Risk Insurance Program
Reauthorization Act of 2007
REFERENCE FILING
State of Arkansas

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Dear Mr. Lacy:

Insurance Services Office, Inc. (ISO) hereby files the captioned revision. The purpose of this filing is to revise certain rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

This Act extends the federal Terrorism Risk Insurance Program (which was set to expire at the end of December 31, 2007) for a seven-year period, through December 31, 2014. Several other noteworthy changes in the Act include:

- Revision to the criteria for certification of an act to eliminate the requirement that the act be committed on behalf of a foreign person or foreign interest.
- Requirement to provide a clear and conspicuous disclosure of the \$100 billion cap on payments for insured losses, as well as a strengthening of that cap.
- Requirement that the Secretary of the Treasury develop regulations for determining the pro rata share of insured losses to be paid under the program when those insured losses exceed \$100 billion during any one program year.

Insurers are now faced with the task of overhauling policy administration systems to comply with the new requirements, including new policy language reflecting the revised definition of a certified

act, additional disclosure requirements, and other issues. For this reason, we are proposing that this revision become effective in accordance with the following rule of application:

These changes are available for insurer use upon your approval.

To provide maximum flexibility to insurers in revising their policy administration systems, we propose that insurers are not required to advise you of the actual date on which they incorporate the attached into their workflow. This will avoid the need for unnecessary filings to delay effective dates, and takes into consideration the fact that insurers have varying system considerations and lead-time requirements.

It is very important that insurers have the tools contained in this filing available for use as soon as practicable. Your prompt approval of this critical filing is appreciated. Should you have any questions on the material contained herein, we would be happy to discuss them with you at your convenience.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "Donald J. Beckel", written in a cursive style.

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager

DJB:db
Encl.

Rules Revised In Response To Terrorism Risk Insurance Program Reauthorization Act Of 2007

About This Filing

This filing revises the Division Ten - Businessowners terrorism rules in response to enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2007.

Revised Rule(s)

We are revising the Terrorism Rule - Version TE# in the Terrorism Supplement.

(Note: We will assign the appropriate Terrorism Version number after the filing is approved. For example, TE# may become TE310.)

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes.

Related Filing(s)

Forms Filing BP-2007-OTRP1

Background

The Terrorism Risk Insurance Act (TRIA) of 2002 established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. Pursuant to Section 103(c) of the Act, all insurers providing insurance for applicable lines of business are required to participate in the program by making available coverage for insured losses resulting from an act of terrorism as defined by the Act (so-called certified acts coverage). The Terrorism Risk Insurance Program was extended for two years, until December 31, 2007, by the Terrorism Risk Insurance Extension Act of 2005, which incorporated various changes with respect to federal share of losses and affected lines of business. We responded in the past to each of these enactments, with filings of various coverage options and related rules addressing the terrorism risk.

Current Environment

The federal Terrorism Risk Insurance Program has been revised and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, which incorporates various changes to the Program. Certain changes, summarized as follows, have an impact on ISO terrorism forms (addressed in the companion Forms filing) and the rules associated with those forms:

- ◆ Under Section 102(1)(A)(iv) of the Act, the definition of an act of terrorism (with respect to certification of such act) is revised by eliminating the criterion that the act be committed on behalf of a foreign person or foreign interest. As revised, the definition, in part, requires the act to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- ◆ Section 103(b)(3) of the Act requires disclosure of the existence of the \$100 billion cap on payments by insurers.
- ◆ Section 103(e)(2)(A) of the Act eliminates the provision asserting that Congress may take action to increase the \$100 billion cap in the event that insured losses exceed such cap; and Section 103(e)(2)(B) requires the Secretary of the Treasury to issue regulations for determining the pro rata share of insured losses to be paid under the Program (up to \$100 billion) when insured losses exceed \$100 billion.

Explanation Of Changes

Terrorism Endorsement Option Rules (Paragraphs A. and B.)

The rules are revised as follows:

- ◆ Revise reference to the criteria for certification of an act of terrorism, by deleting the text relating to "actions committed on behalf of any foreign interest", in line with the revision to Section 102(1)(A)(iv) of the Act.
- ◆ Revise the language expressing the existence and effect of the cap. As revised, the language explicitly refers to the amount of the cap and addresses allocation of insured losses, pursuant to Sections 103(e)(2)(A) and 103(e)(2)(B) of the Act.
- ◆ Delete reference, in the Introduction section, to the offer of coverage. The reference to making coverage available comports more closely to the language of the Act.
- ◆ Indicate, in the Introduction section, that the existence of the \$100 billion cap must be disclosed to the policyholder at the time of offer, purchase and renewal of the policy, pursuant to Section 103(b)(3).

- ◆ Editorially revise the descriptions of endorsements that are being retained, and remove reference to endorsements being withdrawn, in accordance with the companion Forms filing.
- ◆ With respect to the options for (1) excluding only certified acts involving NBCR terrorism and (2) covering certified acts subject to a sub-limit under Section I - Property, or an aggregate limit under Section II - Liability, the revised rules:
 - Explicitly convey that these options may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage. This is in accordance with current Treasury Guidance concerning the rejection scenario.
 - Indicate that the Arkansas Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism endorsement may be used in conjunction with these options.
- ◆ Include reference to the statutory Standard Fire Policy (SFP) requirement for coverage of fire following terrorism. Under the revised endorsements (as addressed in the companion Forms filing), a Schedule is used to indicate applicability of such coverage by state.
- ◆ Add a paragraph concerning the policy's Coverage Territory and the jurisdictional boundaries of the federal program.
- ◆ Recognize the scheduled termination date of the federal program, that is, December 31, 2014.
- ◆ Delete reference to endorsements excluding or limiting coverage for "other acts" of terrorism (or certified and other acts combined). The disposition of forms and rules excluding or limiting coverage for "other acts" of terrorism will be addressed in separate filings.

Terrorism Pricing Rules (Paragraph C.)

The rules are revised as follows:

- ◆ Currently, the state base rate for buildings and business personal property include a loading for so-called domestic acts of terrorism. Under the federal program as reauthorized, certain domestic acts fall within the criteria for certification of an act of terrorism. The Businessowners rating rule is revised under Premium Determination, to specify that the state base rate for buildings and business personal property is to be adjusted by applying a factor of .995. In the scenario in which "certified acts" coverage is rejected/excluded, this adjustment recognizes that the exclusion encompasses domestic acts that may be certified. In the scenario in which "certified acts" coverage is accepted/provided, the state base rate for buildings and business personal property adjustment recognizes that losses attributable to a certified

domestic act are subject to the federal backstop. The difference in premium, between the acceptance and rejection scenarios, is the applicability of the certified acts premium in the acceptance scenario. That premium is developed under item C.2.a. of Premium Determination. At this time, we are not revising the loss costs for certified acts coverage.

- ◆ Recognize the scheduled termination date of the federal program, that is, December 31, 2014.
- ◆ Revise the Disclosure Of Premium paragraph to indicate that the existence of the \$100 billion cap must be disclosed to the insured as a condition for reimbursement under the federal program, pursuant to Section 103(b)(3). This paragraph has also been revised to set forth which disclosure endorsement is applicable for policies that begin prior to the last year of the program and which endorsements are applicable for policies that begin in the last year of the program.

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APPENDIX

Statutory Standard Fire Policy (SFP) Status

SFP States: CA, CT, GA, HI, IA, IL, MA, ME, MO, NC, NJ, NY, OR, RI, VA, VI, WA, WI, WV

In these states, coverage is required for fire following terrorism (except that the SFP statutes in CT and VA enable an exclusion of fire following a certified act of terrorism).

Non-SFP States: AK, AL, AR, AZ, CO, DC, DE, FL, GU, ID, IN, KS, KY, LA, MD, MI, MN, MS, MT, ND, NE, NH, NM, NV, OH, OK, PA, PR, SC, SD, TN, TX, UT, VT, WY

In these states, there is no statutory SFP, or the SFP contains an exception enabling exclusion of fire following terrorism. (In ID, terrorism is defined in the statute. In AZ, coverage for fire following terrorism is required for residential risks.)

TERRORISM

A. Introduction

The "Terrorism Risk Insurance Act" ("TRIA") establishes a program within the Department of the Treasury in which the Federal Government will share the risk of loss from terrorist attacks with the insurance industry. Federal participation will be triggered when the Secretary of the Treasury certifies an act of terrorism, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism committed by an individual(s) acting on behalf of any foreign interest, provided the terrorist act results in aggregate losses in excess of an amount stated in the Act. With respect to insured losses resulting from a certified act of terrorism, the Federal Government will reimburse individual insurers for a percentage of losses (as stated in the Act) in excess of the insurer's retention, which is based on a specified percentage of the insurer's earned premium for the year preceding the loss. Insured losses covered by the program are capped at \$100 billion per year unless subsequent action of Congress changes that amount; this provision serves to limit insurers' liability for losses. If a terrorism event pierces the cap of a given year, insured losses paid (amounts below the cap) under the federal program may be subject to pro rata allocation in accordance with procedures established by the Treasury. All insurers providing commercial property or casualty insurance are required to participate in the program to the extent of offering and making available coverage for certified acts of terrorism in accordance with the terms and conditions of coverage.

For all new and renewal business, an insurer must make available to insureds coverage for losses caused by certified acts of terrorism. The insurer must disclose to the policyholder the premium for losses covered, and the federal share of compensation for such losses under the Program and the existence of the \$100 billion cap, at the time of offer, purchase and renewal of the policy.

B. Coverage Options

1. ~~THE FOLLOWING PARAGRAPHS, B.1.a. AND B.1.b., IN THIS SECTION, B.1., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO POLICIES THAT BECOME EFFECTIVE WHILE THE TERRORISM RISK INSURANCE PROGRAM IS IN EFFECT. REFER TO PARAGRAPH 2. OF THIS RULE FOR ADDITIONAL INSTRUCTIONS REGARDING THOSE POLICIES THAT WILL CONTINUE PAST THE ANTICIPATED TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM. POLICIES THAT BEGIN IN THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM MAY REQUIRE THE USE OF TWO ENDORSEMENTS DUE TO THE ANTICIPATED MID-TERM TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.~~

~~When coverage for certified acts of terrorism:~~

- a. ~~When coverage for certified acts of terrorism is to be provided, the following options are available: use Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 23. Coverage for certified acts of terrorism is subject to the statutory cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap.~~

~~(1) Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard) and for any other acts of terrorism (subject to underlying policy exclusions). Use Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 23.~~

~~(2) Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use both Limited Exclusion Of Acts Of Terrorism (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 30 and Limited Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 38.~~

- ~~(3) Provide coverage for certified acts of terrorism (subject to the cap on liability for losses and subject to underlying policy exclusions such as nuclear hazard); provide coverage (subject to underlying policy exclusions) for so-called foreign acts of terrorism which do not exceed the \$5 million threshold for federal certification; and exclude other acts of terrorism only if those acts qualify as biological or chemical terrorist events. Use both Exclusion Of Acts Of Biological Or Chemical Terrorism; Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 31 and Nuclear, Biological Or Chemical Terrorism Exclusion (Other Than Certified Acts Of Terrorism); Cap On Losses From Certified Acts Of Terrorism Endorsement BP 05 39.~~
- (4) To also exclude punitive damages arising out of a certified act of terrorism, use Arkansas Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement BP 05 43.
- b. When coverage for certified acts of terrorism is not to be provided (or is to be provided with a specific limitation), the following options are available:
- (1) Exclude coverage for certified acts of terrorism, by using Exclusion Of Certified Acts Of Terrorism Endorsement BP 05 24. The exclusion does not extend to acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program), and cover other acts of terrorism subject to underlying policy exclusions such as nuclear hazard. Use Exclusion Of Certified Acts Of Terrorism Endorsement BP 05 25.
- ~~(2) Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism subject to a \$25 million threshold (with no dollar threshold on nuclear, biological or chemical events). Use both Exclusion Of Certified Acts And Other Acts Of Terrorism Endorsement BP 05 32 and Exclusion Of Certified Acts Of Terrorism And Other Acts Of Terrorism Endorsement BP 05 41.~~
- ~~(3) Exclude coverage for certified acts of terrorism; and exclude coverage for other acts of terrorism when such other acts qualify as a biological or chemical terrorist event. The exclusion does not extend to fire following an act of terrorism due to a state statutory requirement. Use both Exclusion Of Certified Acts Of Terrorism And Biological Or Chemical Acts Of Terrorism Endorsement BP 05 33 and Exclusion Of Certified Acts Of Terrorism And Other Nuclear, Biological Or Chemical Acts Of Terrorism Endorsement BP 05 40.~~
- (2)(4) Exclude coverage for certified acts of terrorism only when such acts qualify as a nuclear, biological, or chemical or radiological terrorism event, and cover other acts of terrorism subject to underlying policy exclusions. Use Exclusion Of Certified Acts Of Terrorism Involving Nuclear, Biological, Or Chemical Or Radiological Terrorism; Cap On Covered Certified Acts Losses Endorsement BP 05 26. Coverage for certified acts of terrorism under this endorsement is subject to the statutory cap on liability for losses provided by the Act. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.
- (3)(5) Limit coverage for certified acts of terrorism by writing coverage:
- (a) Under Section I – Property at a sub-limit (lower limit than the limit that applies to other perils). The sub-limit applies on an annual aggregate basis. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal Program) remains subject to full underlying limits; and
- (b) Under Section II – Liability subject to a certified acts of terrorism aggregate limit. Coverage for other acts of terrorism remains subject to full underlying limits.
- Use Limitations Of Coverage For Certified Acts Of Terrorism Endorsement BP 05 27. This option may be offered to the insured, at the insurer's option, only when the insured initially rejects certified acts coverage.
- ~~(6) Exclude coverage for certified acts and other acts of terrorism only when such acts qualify as a nuclear, biological or chemical terrorist event (thereby providing coverage for certified acts of terrorism not involving nuclear, biological or chemical material) use Exclusion Of Certified Acts And Other Acts Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism; Cap On Covered Certified Acts Losses Endorsement BP 05 28.~~
- ~~(7) Limit coverage for certified acts and other acts of terrorism by writing coverage:~~

~~(a) Under Section I—Property at a sub-limit (lower limit than the limit that applies to other perils).
The sub-limit applies on an annual aggregate basis.~~

~~(b) Under Section II—Liability subject to a Certified Acts and Other Acts of Terrorism Aggregate Limit.~~

~~Use Limitations Of Coverage For Certified Acts And Other Acts Of Terrorism Endorsement BP 05-29.~~

c. To also exclude punitive damages arising out of a certified act of terrorism when endorsement **BP 05 24, BP 05 26** or **BP 05 27** is attached to a policy, use Arkansas Exclusion Of Punitive Damages Related To A Certified Act Of Terrorism Endorsement BP 05 43.

d. The exclusions and sub-limit addressed in Paragraph b. do not extend to fire following an act of terrorism, with respect to states which have a Standard Fire Policy (SFP) statute or similar statute prohibiting such exclusion or limitation. Under Endorsements BP 05 24, BP 05 26 and BP 05 27, use the Schedule to indicate applicability of the Exception Covering Certain Fire Losses. That Exception is contained in the aforementioned endorsements.

e. The federal program does not include Canada, and therefore endorsements relating to certified acts of terrorism are not relevant to acts of terrorism occurring in Canada. The federal program in general encompasses losses that occur within the United States, with State defined in the Act to include U.S. territories and possessions and the commonwealth of Puerto Rico. The coverage territory as addressed in Businessowners Coverage Form BP 00 03 is the United States, its territories and possessions, Puerto Rico and Canada. The foregoing is for information only; this Terrorism Supplement does not address policywriting outside the aforementioned coverage territory.

2. THE FOLLOWING PARAGRAPHS, B.2.a. THROUGH B.2.c., INSTRUCT ON THE USAGE OF CONDITIONAL TERRORISM ENDORSEMENT OPTIONS FOR:

- **POLICIES THAT BECOME EFFECTIVE DURING THE LAST PROGRAM YEAR OF THE FEDERAL PROGRAM, WITH A POLICY TERM THAT EXTENDS PAST THE TERMINATION DATE OF THAT PROGRAM.**
- **POLICIES WRITTEN TO BECOME EFFECTIVE AFTER THE SCHEDULED TERMINATION DATE OF THE FEDERAL PROGRAM, IF THE DISPOSITION OF SUCH PROGRAM IS UNCERTAIN AT THE TIME THE POLICY IS WRITTEN.**

THESE ENDORSEMENTS ARE DESIGNED TO BE USED IN CONJUNCTION WITH (ON THE SAME POLICY AS) THE ENDORSEMENTS DESCRIBED ABOVE AND CAN ALSO BE USED IN THE ABSENCE OF SUCH ENDORSEMENTS. REFER TO PARAGRAPH 3. OF THIS RULE FOR POLICIES THAT BECOME EFFECTIVE AFTER THE TERMINATION OF THE TERRORISM RISK INSURANCE PROGRAM.

The following information is based on a scheduled termination date of December 31, 2014⁰⁷. However, if there is an extension of the federal Program beyond 2014⁰⁷, then the following information would apply instead to the last Program Year enacted via the extension, provided the federal Program will end on a specified date with respect to all policies (a so-called hard ending).

Policies that become effective on or after January 1, 2014⁰⁷ may not have the federal backstop apply throughout the entire policy period. The following conditional endorsement options provide insurers with tools to address terrorism exposures given the anticipated termination of the federal Program, which may occur during the policy period. The provisions of the conditional endorsement will apply commencing when the federal Program terminates or is extended without "make available" requirements and with certain changes (revised definition of terrorism; or terrorism coverage made subject to terms or conditions different from those that apply to other events; or increase in insurer retention of or participation in losses). **If the aforementioned conditions do not occur, the provisions of the conditional endorsement will not become effective on the policy.**

- a. To exclude terrorism coverage upon the termination of the Federal Terrorism Risk Insurance Program, attach Conditional Exclusion Of Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 05 64.**

- b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material) upon the termination of the Federal Terrorism Risk Insurance Program, attach Conditional Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 05 65**.
- c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions) upon the termination of the Federal Terrorism Risk Insurance Program, attach Conditional Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis (Relating To Disposition Of Federal Terrorism Risk Insurance Act) Endorsement **BP 05 66**.

If this conditional endorsement is used along with terrorism aggregate limit described in Paragraph **B.1.** do **not** enter a Terrorism Aggregate Limit amount for the conditional endorsement. A footnote in the Schedule of the conditional endorsement makes reference to relevant text within the endorsement, which in turn explains how the Terrorism Aggregate applies.

3. THE FOLLOWING PARAGRAPHS, B.3.a. THROUGH B.3.c., INSTRUCT ON THE USAGE OF TERRORISM ENDORSEMENT OPTIONS THAT MAY BE ATTACHED TO:

- **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN THE TERRORISM RISK INSURANCE PROGRAM HAS TERMINATED;**
 - **POLICIES THAT BECOME EFFECTIVE ON OR AFTER THE DATE WHEN AN EXTENSION OF THE TERRORISM RISK INSURANCE PROGRAM HAS GONE INTO EFFECT, IF THE PROGRAM WAS EXTENDED WITHOUT MAKE-AVAILABLE REQUIREMENTS AND WITH CERTAIN CHANGES (REVISED DEFINITION OF TERRORISM; OR TERRORISM COVERAGE MADE SUBJECT TO TERMS OR CONDITIONS DIFFERENT FROM THOSE THAT APPLY TO OTHER EVENTS; OR INCREASE IN INSURER RETENTION OF OR PARTICIPATION IN LOSSES).**
- a. To exclude terrorism coverage, attach Exclusion Of Terrorism Endorsement **BP 05 67**.
 - b. To exclude coverage for terrorism that involves nuclear, biological or chemical materials (thereby leaving intact any underlying coverage for terrorism that does not involve nuclear, biological or chemical material), attach Exclusion Of Terrorism Involving Nuclear, Biological Or Chemical Terrorism Endorsement **BP 05 68**.
 - c. To provide coverage for terrorism subject to a Terrorism Aggregate Limit (and subject to underlying policy provisions), attach Limitation Of Coverage For Terrorism – Sub-Limit On Annual Aggregate Basis Endorsement **BP 05 69**.

C. Pricing

1. Rates And Factors For Certified Acts Of Terrorism

Rates for building and business personal property certified acts of terrorism coverage are provided in Table **A#.C.2.a.(LC)**. Factors for liability and medical expenses certified acts of terrorism coverage are provided in Table **A#.C.2.b.(RF)**.

Rates and factors that are identified as:

- a. Program Year 3 recognize federal participation in covering losses; and
- b. Full factors reflect the absence of federal participation in losses following termination of the federal Program.

If Full rates and factors, or rates and factors for years subsequent to Year 3 are not provided, use the rates and factors shown for Year 3 instead. Refer to **C.2.c.** for information on prorating.

2. Premium Determination

The state base rates for building and business personal property in the state rates section of the manual include a provision to reflect the domestic terrorism peril. Certified acts of terrorism now include certain domestic acts. When coverage is provided for certified acts, apply a factor of .995 to the building and business personal property state final rate determined in Rule **23.C.6.a.(2)(c)(viii)** because certain domestic acts are subject to the federal backstop. When coverage is excluded for certified acts, apply the same factor to the building and business personal property state final rate determined in Rule **23.C.6.a.(2)(c)(viii)**, in recognition of the exclusion. Refer to Paragraphs **C.2.a.**, **C.2.b.** and **C.2.c.** for additional instructions on premium determination.

a. Building And Business Personal Property Certified Acts Of Terrorism Coverage

When coverage is provided for certified acts, develop the additional premium for building and business personal property certified acts of terrorism coverage using the rates from Table A#.C.2.a.(LC). Adjust the rates by applying rate modification factors reflecting Public Protection (Fire) Classification, sprinklered property, and deductible. Refer to Table 23.C.4.(RF) for Public Protection (Fire) Classification Relativities and to Table 24.C.4.(RF) for Optional Deductible Factors. For sprinklered properties, use a factor of 0.80. Multiply the adjusted rates by the appropriate limits of insurance in hundreds to obtain the additional premium for certified acts of terrorism coverage.

Territory	Program Year 3	Full (Post-TRIA)
Entire State	.001	.001

Table A#.C.2.a.(LC) Building And Business Personal Property Certified Acts Of Terrorism Coverage Rates – Arkansas

b. Liability And Medical Expenses Certified Acts Of Terrorism Coverage

Develop the additional premium for liability and medical expenses certified acts of terrorism coverage using liability and medical expenses factors from Table A#.C.2.b.(RF). Multiply the otherwise applicable liability and medical expenses premium by the appropriate factor in Table A#.C.2.b.(RF) to obtain the additional premium for certified acts of terrorism coverage.

Territory	Program Year 3	Full (Post-TRIA)
Entire State	0.004	0.004

Table A#.C.2.b.(RF) Liability And Medical Expenses Certified Acts Of Terrorism Coverage Factors

c. Prorating

(1) When Certified Exclusion And Conditional Exclusion Are Not Used

Pro rate the rate based on the proportion of time the policy is in effect in each Year of the federal Program.

For annual policies with a term that begins in the last Program Year of the federal Program and extends into the following year, pro rate the rate using applicable Program Year and Full rates, based on the proportion of time the policy will be in effect before and after the Program's termination. Example: Assuming the federal Program terminates 12/31/201407, for a policy with an annual term beginning on 10/01/1407, the rate would be the sum of 25% of the applicable Program Year rate and 75% of the Full rate. If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended, recalculate the premium and refund the excess premium, unless such amount falls within the waiver of return premium, if any, on file for the insurer in this state; or
- (b) Use the applicable Program Year rates for the entire annual policy period, instead of prorating. If the federal Program terminates, recalculate the premium and charge additional premium. If the federal Program is extended with changes in the backstop, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

(2) When Terrorism Coverage Applies Subject To Conditional Exclusion

When a conditional exclusion is attached, the duration of coverage and the commensurate premium are not fully determined until the disposition of the federal Program is decided. When a conditional exclusion is used, pro rate the applicable Program Year rate based on the proportion of time that coverage will apply. Make no charge for the portion of time that coverage will be excluded. Example: Annual policy begins on 6/01/1407; exclusion is anticipated to become effective on 1/01/1508. The rate would be 59% (214/365 days) of the rate applicable to the 201407 Program Year.

If such a policy is rated prior to a Congressional decision on extension of the federal Program, the insurer may:

- (a) Pro rate as indicated above, based on the federal Program's anticipated termination date. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium unless such amount falls within the waiver of additional premium, if any, on file for the insurer in this state; or
- (b) Calculate the premium using the applicable Program Year rate for the entire policy term. If the federal Program terminates, recalculate the premium by prorating that applicable Program Year rate and refund the excess premium. If the federal Program is extended in such a manner that the conditional exclusion does not become applicable, and coverage continues to apply, recalculate the premium and charge additional premium or refund excess premium, if applicable. The additional or return premium may be waived if such amount falls within the waiver of additional or return premium, if any, on file for the insurer in this state.

d. Disclosure Of Premium

(1) For Policies That Begin Prior To The Last Program Year Of The Federal Program

Disclosure of premium attributable to coverage for certified acts of terrorism, and disclosure of federal participation in payment of potential terrorism losses and existence of the \$100 billion cap, is a condition for reimbursement under the federal Program. The following endorsements, Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement BP 05 15, which responds to the Treasury Guidance on line item Ddisclosure, may be used:

- ~~(1) Use Disclosure Pursuant To Terrorism Risk Insurance Act Endorsement BP 05 15 unless Paragraph C.2.d.(2) or C.2.d.(3) applies.~~

(2) For Policies That Begin In The Last Program Year Of The Federal Program

(a) Use Disclosure Of Premium (Through End Of Year) For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement BP 05 70 for policies that begin in the last Program Year of the federal Program and extend into the following year, when a conditional exclusion is used and premium is being disclosed only for the period during which the federal Program is in effect. This is the situation described in Paragraph C.2.c.(2)(a). This endorsement recognizes the possibility of a mid-term additional premium charge.

~~(b)(3)~~ Use Disclosure Of Premium And Estimated Premium For Certified Acts Of Terrorism Coverage (Pursuant To Terrorism Risk Insurance Act) Endorsement BP 05 71 for policies that begin in the last Program Year of the federal Program and extend into the following year, when premium is being disclosed for the period during which the federal Program is in effect and estimated premium is being disclosed for the remainder of the policy term. This situation is described in Paragraphs C.2.c.(1)(a), C.2.c.(1)(b) and C.2.c.(2)(b). This endorsement recognizes the possibility of a mid-term additional premium charge or return of excess premium.

3. Certified Acts Of Terrorism – Limited Coverage

a. General

Rates and factors for certified acts of terrorism coverage are provided for Program Year 3. These rates and factors recognize federal participation in covering losses. Rates and factors are also displayed for the time period following termination of the federal Program; such rates and factors are designated as Full rates and factors, to reflect the absence of federal participation in losses. If rates and factors for years subsequent to Year 3 are not provided in the manual, use the rates and factors shown for Year 3 instead. Refer to C.2.c. for information on prorating.

b. Premium Determination

(1) Coverage For Certified Acts Of Terrorism Excluding Nuclear, Biological, And Chemical And Radiological (NBCR) Events

(a) Building And Business Personal Property Coverage

Develop a state rate for certified acts of terrorism coverage as indicated in Paragraph C.2.a. Adjust that state rate by multiplying by the appropriate factor shown in Table A#.C.3.b.(1)(a)(RF). Multiply the adjusted state rate by the appropriate limit of insurance in hundreds to obtain the additional premium for this limited form of certified acts coverage.

Territory	Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
Entire State	.50

Table A#.C.3.b.(1)(a)(RF) Property Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

(b) Liability And Medical Expenses Coverage

Determine the additional premium for "certified acts of terrorism" as described in Paragraph C.2.b. Multiply the additional premium by the appropriate factor shown in Table A#.C.3.b.(1)(b)(RF).

Territory	Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events
Entire State	0.58

Table A#.C.3.b.(1)(b)(RF) Liability Adjustment Factor(s) For Certified Acts Coverage With Exclusion Of NBCR Events

(2) Sub-Limit On Certified Acts Of Terrorism Coverage

(a) Building And Business Personal Property Coverage

Multiply the state rate for certified acts of terrorism coverage as indicated in Paragraph C.2.a. by the sub-limit (in hundreds) to obtain the additional premium for this limited form of certified acts coverage.

(b) Liability And Medical Expenses Coverage

Step 1. Determine the additional premium for "certified acts of terrorism" for liability coverage as described in Paragraph C.2.b.

Step 2. Determine the Increased Limit Factor (ILF) for the terrorism limit from Table 23.C.6.b.(2)(b)(ii)(RF) using one of the limits combinations illustrated in Table A#.C.3.b.(2)(b).

Step 3. Determine the Increased Limit Factor (ILF) for the policy limits from Table 23.C.6.b.(2)(b)(ii)(RF).

Step 4. Divide the ILF determined in Step 2. by the ILF determined in Step 3.

Step 5. Multiply the additional premium determined in Step 1. by the factor determined in Step 4.

Policy Aggregate Limit For Liability And Medical Expenses (000's)	Terrorism Sub-Limit (000's)		
\$ 600	N/A	N/A	N/A
\$ 1,000	\$ 600	N/A	N/A
\$ 2,000	\$ 600	\$ 1,000	N/A
\$ 4,000	\$ 600	\$ 1,000	\$ 2,000

Table A#.C.3.b.(2)(b) Liability And Medical Expenses Limits Combinations

c. Prorating

Refer to Paragraph C.2.c.

d. Disclosure Of Premium

Refer to Paragraph C.2.d.

D. Domestic Terrorism Exclusion Or Sub-Limit

The state base rates for building and business personal property in the state rates section of the manual include a provision to reflect the domestic terrorism peril.

- ~~1. When the domestic terrorism peril is excluded, multiply the building and business personal property state final rate determined in Rule 23.C.6.a.(2)(c)(viii) by a factor of .995.~~
- ~~2. To exclude nuclear, biological and chemical events only from the domestic terrorism peril, multiply the building and business personal property state final rate determined in Rule 23.C.6.a.(2)(c)(viii) by a factor of .998.~~
- ~~3. When a sub-limit is written, develop the premium credit in accordance with a., b., c. and d. below, separately for building and business personal property:~~
 - ~~a. Multiply the building and business personal property premium determined in Rule 23.C.6.a.(3) by a factor of .005.~~
 - ~~b. Determine the ratio of the sub-limit to the limit applying to other perils.~~
 - ~~c. Multiply the result in a. by the ratio in b.~~
 - ~~d. Subtract the result in c. from the result in a. This is the premium credit to reflect the sub-limit.~~

D.E. Individual Risk Situations

Rule 2. Referrals To Company may be used for rating any risk or exposure for which the manual rate or factor is clearly demonstrated to be inappropriate because of the nature of the exposure to terrorist acts, whether higher or lower, relative to other risks within the same territory.